

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 OMB-01 IGA-02 PM-07 NSC-10

SS-15 DRC-01 /151 W

----- 129904

R 181012Z SEP 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 0991

INFO AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: EFIN, BG

SUBJECT: PAKISTAN/BANGLADESH DEBT

REF: (A) PARIS 16641; (B) STATE 152556; (C) STATE 163857

SUMMARY: IBRD REP CALLED MEETING LOCAL DONOR REPS TO: (A) REVIEW ACTIONS SINCE SIGNATURE AGREED MINUTE AND (B) DISTRIBUTE BDG AIDE MEMOIRE ON WILLINGNESS BDG NEGOTIATE RE PROJECTS

COMPLETED BEFORE INDEPENDENCE WHICH VISABLY LOCATED IN BD. JAPANESE AND GERMAN ACTIONS NOT TOTALLY CONSISTENT WITH MINUTE. IN CONNECTION EVENTUAL ASSUMPTION LIABILITIES, APPARENTLY BDG PREPARED ONLY DISCUSS OUTSTANDING PRINCIPAL AND WANTS TO RE-NEGOTIATE TERMS LATER. REACTION REACTION REQUESTED. ALSO, STATUS REPORT

AND BILATERAL DISCUSSION GOP RE ITS ASSUMPTION LIABILITY REQUESTED. END SUMMARY.

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1. IBRD REP CALLED MEETING LOCAL DONOR REPS FOR PURPOSE

REVIEWING ACTIONS TAKEN BY DONORS SINCE SIGNATURE JULY 31 OF AGREED MINUTE ON PAKISTAN DEBT. ALSO, BDG AIDE MEMOIRE DISTRIBUTED WHICH: (A) TAKES NOTE OF QUOTE ANXIETY EXPRESSED BY CREDITORS TO PURSUE MATTER OF PROJECTS DESCRIBED AS VISABLY LOCATED IN BD UNQUOTE AND (B) STATES BDG READY TO ENTER INTO NEGOTIATIONS RE PROJECTS QUOTE COMPLETED BEFORE INDEPENDENCE WHICH FALL WITHIN THE DESCRIPTION OF VISABLY LOCATED IN BD UNQUOTE.

2. MEETING APPARENTLY PROMPTED BY EXPRESSIONS OF CONCERN BY BDG TO FAALAND THAT SOME DONORS HAD NOT REPEAT NOT TOTALLY LIFTED CONDITIONALITY IMPOSED APRIL MEETING. PURSUANT TO JULY 31 AGREEMENT, IBRD HAD ADVISED BDG THAT CONDITIONALITY HAD BEEN LIFTED BY DONORS.

3. WHILE MOST DONORS REPORTED ACTIONS TAKEN CONSISTENT WITH AGREED MINUTE, IT CLEAR THE LAGGARDS ARE JAPANESE AND, TO LESSER EXTENT FEDERAL GERMANS. JAPANESE REP REPORTED GOJ HAD TAKEN POSITION THAT UNLESS AND UNTIL BDG ENTERS INTO NEGOTIATIONS WITH GOJ RE PROJECTS VISIBLY LOCATED IN BD, NO NEW AID WOULD BE AUTHORIZED. JAPANESE REP FURTHER STATED GOJ POSITION BASED ON WORDING AGREED MINUTE (PARA 4A, REF A) THAT DONORS SHOULD SEEK VIGOROUSLY BETWEEN NOW AND JULY 1, 1974 TO PERSUADE BDG ASSUME AS MINIMUM LIABILITY FOR CREDITS ARISING FROM ALL VISIBLBLE PROJECTS LOCATED IN BD. HE SAID THIS CONSTRAINT PLACED BY CONSORTIUM HAD CAUSED DIFFICULTIES IN GOJ/BDG RELATIONS AND THAT GOJ ANXIOUS REMOVE CONDITIONALITY, ESPECIALLY IN VIEW FORTHCOMING VISIT P.M. TO JAPAN. GOJ REP GAVE IMPRESSION THAT AIDE MEMOIRE CIRCULATED OUTSET MEETING WOULD SATISFY GOJ, ALTHOUGH HE CLEARLY COULD NOT SO STATE DEFINITELY. GERMAN REP STATED HE HAD RECEIVED ON INSTRUCTIONS BUT KNEW AIDE MEMOIRE IN PREPARATION WHICH FORMALLY LIFTED CONDITIONALITY. HE UNAWARE IF AIDE MEMOIRE HAD IN FACT BEEN GIVEN BDG AMBASSADOR, BONN.

4. BRITISH HAVE RECEIVED MOST EXPLICIT INSTRUCTIONS - TO EFFECT THAT CONDITIONALITY REMOVED, AND BRITISH EXPECT BDG ASSUMPTION OF LIABILITY BEFORE END OF YEAR WHICH WOULD THEN RESULT IN RE-SCHEDULING OF DEBT CONSISTENT "WITH ECONOMIC REALITIES" BD. HIGH COMMISSIONER RECEIVED AGREEMENT OF LOCAL REPS THAT IT ENTIRELY APPROPRIATE FOR HIM TO FORMALLY CONVEY SAME TO BDG. LIMITED OFFICIAL USE

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5. DRAWING UPON REF B, U.S. REPS STATED OUR POSITION RE LIFTING OF CONDITIONALITY HAD BEEN CONVEYED FINANCE MINISTER AND DEPUTY CHAIRMAN DURING THEIR RESPECTIVE VISITS TO WASHINGTON AND THAT NO FURTHER APPROCH TO BDG EXPECTED PRIOR CONCLUSION IMF/IBRD MEETINGS. ALSO REPORTED PROGRESS TO DATE IN DISCUSSING FY 74 LOAN PROGRAM.

6. OTHER COUNTRIES REPRESENTED (CANADA, ITALY, NORWAY, SWEDEN, FRANCE) HAVE EITHER RECEIVED NO INSTRUCTION OR ARE PROCEEDING IN MANNER CONSISTENT JULY 31 AGREEMENT.

7. FAALAND STATED HIS UNDERSTANDING IS THAT IN NEGOTIATION RE ASSUMPTION LIABILITIES, BDG ONLY PREPARED DISCUSS IN FIRST INSTANCE PRINCIPAL AMOUNTS OUTSTANDING AND THAT APPARENTLY TERMS WOULD BE NEGOTIATED SEPARATELY AFTER BASIC ASSUMPTION OF LIABILITY. HE ASKED THAT LOCAL REPS OBTAIN REACTION FROM HOME OFFICES RE THIS APPROACH.

8. SINCE FIRST STEP IN PROCESS IS BILATERAL DISCUSSIONS BETWEEN DONORS AND GOP DESIGNED TO REACH AGREEMENT RE GOP ASSUMPTION OF LIABILITY (PARA 3C, REF A), FAALAND ALSO ASKED FOR STATUS REPORTS ON THESE CONTACTS WITH GOP. NO REPS COULD RESPOND AND IT WAS OBSERVED THAT PREOCCUPATION WITH FLOOD SITUATION INEVITABLY WILL DELAY THAT PROCESS. HE ASKED IF LOCAL REPS MIGHT REPORT ON THIS ASPECT AT NEXT MEETING.

9. FAALAND PROPOSED HOLDING ANOTHER MEETING WITHIN TWO TO FOUR WEEKS WITH VIEW TOWARD CLOSELY COORDINATING ANY ACTIONS TAKEN LOCALLY. REQUEST ANY WASHINGTON COMMENTS TO PARAS 7 AND 8 ABOVE.

10. RE REQUEST REF C, EMBASSY/USAID DID NOT FORMALLY CONVEY POSITION RE CONDITIONALITY TO BDG SINCE THIS WAS DONE WITH MAIN BDG PLAYERS IN WASHINGTON. SUBJECT HAS NOT BEEN RAISED DIRECTLY BY KEY BDG OFFICIALS WITH EITHER EMBASSY OR USAID REPS. DECONTROL 9/18/75.  
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